

Attachment C

Financial Statement

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cogeco Communications Inc.

We have audited the accompanying consolidated financial statements of Cogeco Communications Inc., which comprise the consolidated statements of financial position as at August 31, 2016 and August 31, 2015, and the consolidated statements of profit or loss, consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended August 31, 2016 and August 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

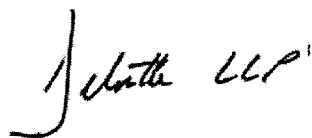
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cogeco Communications Inc. as at August 31, 2016 and August 31, 2015, and its financial performance and its cash flows for the years ended August 31, 2016 and August 31, 2015 in accordance with International Financial Reporting Standards.



November 2, 2016
Montréal, Québec

¹ CPA auditor, CA, public accountancy permit No. A109522

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Years ended August 31,	Notes	2016	2015
<i>(In thousands of Canadian dollars, except per share data)</i>		\$	\$
Revenue		2,176,149	2,043,316
Operating expenses	6	1,174,232	1,102,960
Management fees – Cogeco Inc.	22 A)	18,468	9,877
Integration, restructuring and acquisition costs	4	8,802	13,950
Claims and litigations	4	10,791	(27,431)
Depreciation and amortization	7	497,963	466,715
Impairment of goodwill and intangible assets	8	450,000	—
Financial expense	9	136,378	142,062
Income taxes	10	69,143	77,433
Profit (loss) for the year		(189,628)	257,750
Earnings (loss) per share			
Basic	11	(3.87)	5.27
Diluted	11	(3.87)	5.22

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended August 31,	Note	2016	2015
<i>(In thousands of Canadian dollars)</i>		\$	\$
Profit (loss) for the year		(189,628)	257,750
Other comprehensive income (loss)			
Items to be subsequently reclassified to profit or loss			
<i>Cash flow hedging adjustments</i>			
Net change in fair value of hedging derivative financial instruments		(49,999)	43,702
Net change in fair value of hedging derivative financial instruments reclassified to financial expense		48,108	(43,396)
Related income taxes		440	(272)
		(1,451)	34
<i>Foreign currency translation adjustments</i>			
Net foreign currency translation differences on net investments in foreign operations		957	150,274
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations		2,664	(94,813)
Related income taxes		(1,363)	—
		2,258	55,461
		807	55,495
Items not to be subsequently reclassified to profit or loss			
<i>Defined benefit plans actuarial adjustments</i>			
Remeasurement of net defined benefit liability	20	(6,021)	181
Related income taxes		1,619	(49)
		(4,402)	132
Other comprehensive income (loss) for the year		(3,595)	55,627
Comprehensive income (loss) for the year		(193,223)	313,377

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended August 31, 2016 and 2015	Share capital	Share-based payment reserve	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$
	(Note 17)		(Note 18)		
Balance at August 31, 2014	997,144	11,280	28,325	471,507	1,508,256
Profit for the year	—	—	—	257,750	257,750
Other comprehensive income for the year	—	—	55,495	132	55,627
Comprehensive income for the year	—	—	55,495	257,882	313,377
Issuance of subordinate voting shares under the Stock Option Plan	5,596	—	—	—	5,596
Share-based payment	—	6,614	—	—	6,614
Share-based payment previously recorded in share-based payment reserve for options exercised	1,394	(1,394)	—	—	—
Dividends on multiple voting shares (Note 17 C))	—	—	—	(21,968)	(21,968)
Dividends on subordinate voting shares (Note 17 C))	—	—	—	(46,478)	(46,478)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(6,425)	—	—	—	(6,425)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	3,909	(3,965)	—	56	—
Total contributions by (distributions to) shareholders	4,474	1,255	—	(68,390)	(62,661)
Balance at August 31, 2015	1,001,618	12,535	83,820	660,999	1,758,972
Loss for the year	—	—	—	(189,628)	(189,628)
Other comprehensive income (loss) for the year	—	—	807	(4,402)	(3,595)
Comprehensive income (loss) for the year	—	—	807	(194,030)	(193,223)
Issuance of subordinate voting shares under the Stock Option Plan	5,282	—	—	—	5,282
Share-based payment	—	6,184	—	—	6,184
Share-based payment previously recorded in share-based payment reserve for options exercised	1,261	(1,261)	—	—	—
Dividends on multiple voting shares (Note 17 C))	—	—	—	(24,478)	(24,478)
Dividends on subordinate voting shares (Note 17 C))	—	—	—	(52,020)	(52,020)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(4,575)	—	—	—	(4,575)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	4,881	(4,130)	—	(751)	—
Total contributions by (distributions to) shareholders	6,849	793	—	(77,249)	(69,607)
Balance at August 31, 2016	1,008,467	13,328	84,627	389,720	1,496,142

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

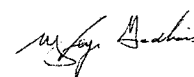
At August 31,	Notes	2016	2015
(In thousands of Canadian dollars)		\$	\$
			(restated, Note 5)
Assets			
Current			
Cash and cash equivalents	19 B)	62,286	163,166
Trade and other receivables	21 A)	115,435	123,880
Income taxes receivable		12,701	10,747
Prepaid expenses and other		16,208	16,416
Derivative financial instruments		1,040	49,834
		207,670	364,043
Non-current			
Other assets	12	7,944	23,205
Property, plant and equipment	13	1,989,720	1,985,421
Intangible assets	14 A)	2,059,548	2,131,483
Goodwill	14 B)	1,060,780	1,497,800
Deferred tax assets	10	11,680	12,086
		5,337,342	6,014,038
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness	16 a)	4,115	—
Trade and other payables		289,668	287,632
Provisions	15	30,688	23,780
Income tax liabilities		26,680	53,790
Deferred and prepaid revenue		61,316	62,094
Intercompany note payable - Cogeco Inc.	22 B)	40,000	—
Current portion of long-term debt	16	22,516	297,629
		474,983	724,925
Non-current			
Long-term debt	16	2,838,130	2,982,395
Derivative financial instruments		165	—
Deferred and prepaid revenue and other liabilities		30,120	29,609
Pension plan liabilities and accrued employee benefits	20	8,809	3,943
Deferred tax liabilities	10	488,993	514,194
		3,841,200	4,255,066
Shareholders' equity			
Share capital	17 B)	1,008,467	1,001,618
Share-based payment reserve		13,328	12,535
Accumulated other comprehensive income	18	84,627	83,820
Retained earnings		389,720	660,999
		1,496,142	1,758,972
		5,337,342	6,014,038

Commitments, contingencies and guarantees (Note 23)

On behalf of the Board of Directors,



Jan Peeters
Director



L. G. Serge Gadbois
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31, (In thousands of Canadian dollars)	Notes	2016 \$	2015 \$
Cash flow from operating activities			
Profit (loss) for the year		(189,628)	257,750
Adjustments for:			
Depreciation and amortization	7	497,963	466,715
Impairment of goodwill and intangible assets	8	450,000	—
Financial expense	9	136,378	142,062
Income taxes	10	69,143	77,433
Share-based payment	17 D)	6,398	6,524
Loss on disposals and write-offs of property, plant and equipment		952	1,815
Defined benefit plans contributions, net of expense		(1,435)	(2,203)
		969,771	950,096
Changes in non-cash operating activities	19 A)	32,301	(58,484)
Financial expense paid		(133,903)	(130,739)
Income taxes paid		(123,001)	(71,949)
		745,168	688,924
Cash flow from investing activities			
Acquisition of property, plant and equipment	13	(444,741)	(422,950)
Acquisition of intangible and other assets		(22,769)	(16,270)
Business combination, net of cash and cash equivalents acquired	5	—	(263,240)
Other		2,791	1,266
		(464,719)	(701,194)
Cash flow from financing activities			
Increase in bank indebtedness		4,115	—
Proceeds on intercompany note payable - Cogeco inc.		40,000	—
Net increase (decrease) under the revolving facilities		(107,755)	83,071
Issuance of long-term debt, net of discounts and transaction costs		—	128,634
Repayment of long-term debt and settlement of derivative financial instruments		(240,629)	(35,684)
Transaction costs on long-term debt conversion and increase in deferred transaction costs		(1,195)	(480)
Issuance of subordinate voting shares	17 B)	5,282	5,596
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	17 B)	(4,575)	(6,425)
Dividends paid on multiple voting shares	17 C)	(24,478)	(21,968)
Dividends paid on subordinate voting shares	17 C)	(52,020)	(46,478)
		(381,255)	106,266
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		(74)	5,339
Net change in cash and cash equivalents		(100,880)	99,335
Cash and cash equivalents, beginning of the year		163,166	63,831
Cash and cash equivalents, end of the year		62,286	163,166